

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>CHARTER TOWNSHIP OF IRONWOOD</b>	County <b>GOGEBIC</b>
Fiscal Year End <b>12/31/2005</b>	Opinion Date <b>06/27/2006</b>	Date Audit Report Submitted to State <b>07/13/2006</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

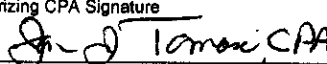
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>JON J. TOMASI, CPA</b>		Telephone Number <b>906-575-3206</b>	
Street Address <b>208 BIRCH STREET</b>		City <b>BERGLAND</b>	State <b>MI</b>
		Zip <b>49910</b>	
Authorizing CPA Signature 		Printed Name <b>Jon J. Tomasi</b>	License Number

CHARTER TOWNSHIP OF IRONWOOD  
IRONWOOD, MICHIGAN  
GOGEbic COUNTY  
REPORT ON FINANCIAL STATEMENTS  
(with additional information)  
For the Year Ended December 31, 2005

## TABLE OF CONTENTS

### Audited Financial Statements

Independent Auditor's Report.....	Page 4
Management's Discussion and Analysis (Unaudited).....	6
Statement of Net Assets.....	13
Statement of Activities.....	14
Governmental Funds-Balance Sheet.....	15
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets.....	16
Governmental Funds-Statement of Revenues, Expenditures and Changes in Fund Balance.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Proprietary Funds-Statement of Net Assets.....	19
Proprietary Funds-Statement of Revenues, Expenditures and Changes in Net Assets.....	20
Proprietary Funds-Statement of Cash Flows.....	21
Fiduciary Funds-Statement of Fiduciary Net Assets....	22
Notes to Financial Statements.....	23

### REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

General Fund-Budgetary Comparison Schedule.....	37
---	----

### OTHER SUPPLEMENTAL INFORMATION

Non-Major Governmental Funds-Combining Balance Sheet.	38
Non-Major Governmental Funds-Schedule of Revenues, Expenditures and Changes in Fund Balance.....	39
Major Governmental-General Fund-Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual .....	40
Water and Sewer Fund-Combining Balance Sheet.....	49
Water and Sewer Fund-Statement of Revenues, Expenditures and Changes in Fund Balance.....	50
Fiduciary Funds-Combining Statement of Net Assets...	51

Report on Compliance and other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	53
Schedule of Findings and Questioned Costs.....	54

Jon J. Tomasi  
Certified Public Accountant  
208 Birch Street  
Bergland, Michigan 49910

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board  
Charter Township of Ironwood  
Ironwood, Michigan

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Ironwood, Michigan, as of and for the year ended December 31, 2005 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

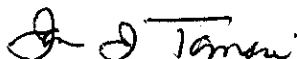
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Charter Township of Ironwood, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the calendar year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 27, 2006, on my consideration of the Charter Township of Ironwood's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. The purpose of that report is to describe the scope of my

testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and the required supplemental information identified in the Table of Contents are not a required part of the basic financial statements, but are supplementary information required by the *Government Accounting Standards Board*. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Ironwood, Michigan's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.



Certified Public Accountant  
Bergland, Michigan  
June 27, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS  
CHARTER TOWNSHIP OF IRONWOOD  
(Unaudited)

Year ended December 31, 2005

---

**Management's Discussion and Analysis**

The Charter Township of Ironwood's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the Township's financial activity, and identify changes in the Township's financial position including its ability to address the next and subsequent year's challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* and is intended to provide the financial results for the year ending December 31, 2005. GASB 34 requires the presentations of two basic types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

**Government-wide Financial Statements**

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
CHARTER TOWNSHIP OF IRONWOOD  
(Unaudited)

---

**Fund Financial Statements**

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds**

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains four governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund (considered a major fund) and the township improvement, special grants and perpetual care funds which are non-major governmental funds.

Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplementary Information" section of this report.

**Proprietary Funds**

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Fund is presented in both the government-wide financial



MANAGEMENT'S DISCUSSION AND ANALYSIS  
CHARTER TOWNSHIP OF IRONWOOD  
(Unaudited)

---

statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund and Trust and Agency Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

**Notes to Financial Statements**

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

**Government-wide Financial Statements - Condensed Financial Information**

Statement of Net Assets

The following table shows the Financial Analysis of the Township as a whole with a detailed analysis of the statement below.

Summary of Net Assets

	Governmental		Business-Type	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>				
Current Assets:	\$ 828,089	\$ 743,487	\$ 186,171	\$ 148,865
Net Capital Assets	<u>498,199</u>	<u>526,054</u>	<u>572,774</u>	<u>653,501</u>
Total Assets	<u>\$ 1,326,288</u>	<u>\$ 1,269,541</u>	<u>\$ 758,945</u>	<u>\$ 802,366</u>
<b>LIABILITIES</b>				
Current Liabilities	<u>342,071</u>	<u>313,778</u>	<u>170,031</u>	<u>143,614</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS  
CHARTER TOWNSHIP OF IRONWOOD  
(Unaudited)

	<u>Governmental</u>		<u>Business-Type</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	498,199	526,054	274,639	310,336
Restricted	154,355	154,355		
Unrestricted	<u>331,663</u>	<u>275,354</u>	<u>314,275</u>	<u>348,416</u>
Total Net Assets	<u>\$ 984,217</u>	<u>\$ 955,763</u>	<u>\$588,914</u>	<u>\$658,752</u>
Total Net Assets and Liabilities	<u>\$1,326,288</u>	<u>\$1,269,541</u>	<u>\$758,945</u>	<u>\$802,366</u>

The Township's governmental net assets totaled \$984,217 at December 31, 2005 compared to \$955,763 at December 31, 2004. Total assets can be separated into three categories: investment in capital assets, net of related debt, restricted and unrestricted. Net capital assets are a combination of funds available for capital assets less accumulated depreciation. The original cost of capital assets was \$786,955 and the accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP) depreciation expense is recorded on the original cost of the asset less any estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation was \$283,451 for 2005 and \$260,901 for 2004. The remaining balance in unrestricted assets represent an excess balance of \$331,663 for 2005 and \$275,354 for 2004. The business type net assets totaled \$588,914 at December 31, 2005 compared to \$658,752 at December 31, 2004. The original cost of capital assets was \$484,083 for 2005 and \$480,868 for 2004 and accumulated depreciation was \$315,527 for 2005 and \$298,254 for 2004. The remaining balance in unrestricted assets represents an excess balance of \$314,275 for 2005 and \$348,416 for 2004.

### Results of Operations

The results of this year's operations for the Township as a whole as reported in the statement of activities. A summary of the Township-wide results of operations for year 2005 and 2004 is as follows:

	<u>Governmental</u>		<u>Business-Type</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Program Revenue:				
Charges for services	188,809	161,191	279,471	165,852
Operating Grant		<u>1,980</u>		
Total Program Revenue	<u>188,809</u>	<u>163,171</u>	<u>279,471</u>	<u>165,852</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS  
CHARTER TOWNSHIP OF IRONWOOD  
(Unaudited)

	<u>Governmental</u> <u>2005</u>	<u>2004</u>	<u>Business-Type</u> <u>2005</u>	<u>2004</u>
General Revenue:				
Property taxes	277,622	238,125		
State Shared Revenue	182,002	170,206		
Investment Earnings	6,723	5,354		
Other	<u>36,663</u>	<u>59,474</u>		
Total General Revenue	<u>503,010</u>	<u>473,159</u>		
Total Revenue	<u>\$ 691,819</u>	<u>\$ 636,330</u>	<u>\$ 279,471</u>	<u>\$ 165,852</u>
Expenses:				
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General Government	389,240	431,685		
Public Safety	45,121	36,989		
Public Works	51,528	37,634		
Health and Welfare	160,626	143,082		
Recreation and Culture	16,850	16,625		
Water and Sewer			<u>349,309</u>	<u>320,143</u>
Total Expenditures	<u>663,365</u>	<u>666,015</u>	<u>349,309</u>	<u>320,143</u>
Increase (Decrease) in Net Assets	28,454	( 29,685)	( 69,838)	(154,291)
Net Assets January 1	<u>955,763</u>	<u>985,448</u>	<u>658,752</u>	<u>813,043</u>
Net Assets, December 31	<u>\$984,217</u>	<u>\$955,763</u>	<u>\$588,914</u>	<u>\$658,752</u>

**Governmental Fund Financial Highlights**

The overall condition of the governmental funds has increased during 2005. Several factors that contributed to the situation included an increase in property tax revenue and charges for services totaling \$53,889. Expenditures were reduced by \$60,074 with the major reduction being in general government.

**Proprietary Fund/Business-Type Activities**

The overall condition of the proprietary funds has an increase in 2005. Operating revenue increased by \$59,971, but again in 2005 absorbed a loss from the investment in the wastewater authority (\$47,785 for 2005). The loss has decreased by \$84,453 but receivables have shown a large increase.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
CHARTER TOWNSHIP OF IRONWOOD  
(Unaudited)

---

### General Fund Budgetary Highlights

The Township did not amend its general fund budget. Actual revenue exceeded budgeted revenue by \$32,875 and actual expenditures were less than budgeted expenditures by \$44,996. Negative budget variances were in the areas of Revenue State Grants and Expenditures Public Works and Health and Welfare.

### Total Revenues

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds:

	Total Revenue		Total Revenue	
	<u>2005</u>	<u>Percentage</u>	<u>2004</u>	<u>Percentage</u>
Taxes	\$ 277,622	40.1%	\$ 238,125	37.4%
Licenses and Permits	7,678	1.1	6,839	1.1
State Grants	182,002	26.3	182,507	28.7
Charges for Services	166,875	24.1	156,710	24.6
Interest and Permits	9,680	1.4	7,366	1.1
Other	<u>47,962</u>	<u>7.0</u>	<u>45,277</u>	<u>7.1</u>
Total Revenue	\$ 691,819	100.0%	\$636,824	100.0%

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds.

	Total Expenditures		Total Expenditures	
	<u>2005</u>	<u>Percentage</u>	<u>2004</u>	<u>Percentage</u>
Legislative	\$ 70,053	11.0%	\$ 71,007	10.1%
General Government	299,938	47.0	337,603	48.3
Public Safety	41,451	6.5	33,319	4.8
Public Works	51,528	8.1	37,634	5.4
Health and Welfare	160,626	25.1	143,082	20.5
Culture and Recreation	15,164	2.3	14,939	2.1
Capital Outlay	<u>        </u>	<u>        </u>	<u>61,598</u>	<u>8.8</u>
Total Expenditures	\$638,760	100.0%	\$699,182	100.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS  
CHARTER TOWNSHIP OF IRONWOOD  
(Unaudited)

---

**Capital Assets and Debt Administration**

At the end of 2005, the District had \$772,838 invested in land and building, furniture, vehicles and equipment compared to \$836,390 at the end of 2004.

**Other Economic Factors and Next Years Budget**

**Economic Factors**

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

**Request for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor  
Charter Township of Ironwood  
N10892 Lake Road  
Ironwood, MI 49938

CHARTER TOWNSHIP OF IRONWOOD

STATEMENT OF NET ASSETS  
For the year ended December 31, 2005

	Primary Government Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$277,766	\$34,381	\$312,147
Investments			
Receivables (Net)	427,464	151,790	579,254
Due from Other Funds	122,859		122,859
Inventories			
<b>TOTAL CURRENT ASSETS</b>	<b>828,089</b>	<b>186,171</b>	<b>1,014,260</b>
<b>NON-CURRENT ASSETS</b>			
Investments in Waste Water Authority		290,848	290,848
Cash Reserves		7,287	7,287
Capital Assets--Net	498,199	274,639	772,838
<b>TOTAL NON-CURRENT ASSETS</b>	<b>498,199</b>	<b>572,774</b>	<b>1,070,973</b>
<b>TOTAL ASSETS</b>	<b>1,326,288</b>	<b>758,945</b>	<b>2,085,233</b>
<b>LIABILITIES</b>			
Accounts Payable	40,282	11,985	52,267
Accrued Other Liabilities		4,079	4,079
Due to Other Funds		122,859	122,859
Deferred Revenue	301,789	31,108	332,897
<b>TOTAL LIABILITIES</b>	<b>342,071</b>	<b>170,031</b>	<b>512,102</b>
<b>NET ASSETS</b>			
Invested in Capital Assets--Net of Related Debt	498,199	274,639	772,838
Restricted for Equipment	24,657		24,657
Restricted for Capital Improvements	4,500		4,500
Restricted for Park Development	62,559		62,559
Restricted for Landfill Closure	62,639		62,639
Unrestricted	331,663	314,275	645,938
<b>TOTAL NET ASSETS</b>	<b>\$984,217</b>	<b>\$588,914</b>	<b>\$1,573,131</b>

The notes to financial statements are an integral part of these statements

**CHARTER TOWNSHIP OF IRONWOOD**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
General Government	\$389,240	\$14,993			(374,247)		(374,247)
Public Safety	45,121	10,987			(34,134)		(34,134)
Public Works	51,528				(51,528)		(51,528)
Health and Welfare	160,626	162,829			2,203		2,203
Community and Economic Development							
Recreation and Culture	16,850				(16,850)		(16,850)
Interest on Long-Term Debt							
Total Governmental Activities	663,365	188,809			(474,556)		(474,556)
Business-Type Activities							
Water and Sewer	349,309	279,471			(69,838)		(69,838)
Total Primary Government	1,012,674	468,280			(474,556)	(69,838)	(544,394)
General Revenues							
Property Taxes					277,622		277,622
State-Shared Revenues					182,002		182,002
Unrestricted Investment Earnings					6,723		6,723
Other					36,663		36,663
Total General Revenues					503,010		503,010
Change in Net Assets					28,454	(69,838)	(41,384)
Net Assets--Beginning					958,763	658,752	1,614,515
Net Assets--Ending					\$984,217	\$588,914	\$1,573,131

The notes to Financial Statements are an integral part of this statement

CHARTER TOWNSHIP OF IRONWOOD  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
December 31, 2005

	General Fund	Non-Major Governmental Funds	Totals Governmental Funds
<b>ASSETS</b>			
Cash and Equivalents	\$198,012	\$79,754	\$277,766
Investments			
Receivables--Net	321,426	220	321,646
Due from Other Funds	228,677	915	229,592
Receivable from Other Governments			
Inventories			
<b>TOTAL ASSETS</b>	<b>748,115</b>	<b>80,889</b>	<b>829,004</b>
<b>LIABILITIES</b>			
Accounts payable	38,226		38,226
Due to Other Funds	915		915
Payable to Other Governments			
Deferred Revenue	296,789	5,000	301,789
<b>TOTAL LIABILITIES</b>	<b>335,930</b>	<b>5,000</b>	<b>340,930</b>
<b>FUND BALANCES</b>			
Reserved for			
Fire Equipment	24,657		24,657
Capital Improvements	4,500	5,279	9,779
Park Development	62,559		62,559
Landfill Closure	62,639		62,639
Debt Service			
Unreserved	257,830	70,610	328,440
<b>TOTAL FUND BALANCE</b>	<b>412,185</b>	<b>75,889</b>	<b>488,074</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$748,115</b>	<b>\$80,889</b>	<b>\$829,004</b>

The notes to the Financial Statements are an integral part of this report



CHARTER TOWNSHIP OF IRONWOOD

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
December 31, 2005

Total Fund Balances for Governmental Funds	\$488,074
<i>Amounts reported for governmental activities in this statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	498,199
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,056)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$984,217</u>

The notes to the Financial Statements are an integral part of this report

CHARTER TOWNSHIP OF IRONWOOD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year ended December 31, 2005

	General Fund	Non Major Governmental Funds	Totals Governmental Funds
REVENUES			
Taxes	\$277,622		\$277,622
Licenses and permits	7,678		7,678
State grants	182,002		182,002
Charges for services	166,590	285	166,875
Interest and rentals	8,017	1,663	9,680
Other	47,962		47,962
TOTAL REVENUES	689,871	1,948	691,819
EXPENDITURES			
Legislative	70,053		70,053
General government	299,938		299,938
Public safety	41,451		41,451
Public works	51,528		51,528
Health and welfare	160,626		160,626
Culture and recreation	15,164		15,164
Capital outlay			
Contingency			
Debt service			
Miscellaneous			
TOTAL EXPENDITURES	638,760		638,760
EXCESS OF REVENUE (EXPENDITURES)	51,111	1,948	53,059
OTHER FINANCING SOURCES (USES)			
CHANGE IN FUND BALANCE	51,111	1,948	53,059
FUND BALANCE JANUARY 1, 2005	361,074	73,941	435,015
FUND BALANCE DECEMBER 31, 2005	\$412,185	\$75,889	\$488,074

The notes to financial statements are an integral part of these statements.

CHARTER TOWNSHIP OF IRONWOOD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
For the Calendar Year Ended December 31, 2005

Net Change in Fund Balance-Total Governmental Funds	\$53,059
---	----------

*Amounts reported for governmental activities in this statement  
of net assets are different because:*

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities the cost of these assets is allocated over  
their estimated useful lives as depreciation expense. This is the amount by  
which capital outlays exceed depreciation in the current period.

Capital Outlays		
Depreciation Expense	(22,549)	(22,549)

Some expenses reported in the statement of activities such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(2,056)
---	---------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$28,454</u>
---	-----------------

The notes to the Financial Statements are an integral part of this report

CHARTER TOWNSHIP OF IRONWOOD

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
December 31, 2005

	Business-Type Activities Enterprise Funds
	Water and Sewer Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and cash equivalents	\$34,381
Cash and cash equivalents-restricted	7,287
Accounts receivable, net	114,325
Due from other funds	37,465
TOTAL CURRENT ASSETS	<u>193,458</u>
Non-current Assets:	
Investment in Sewer Authority	290,848
Land	11,058
Building and Structures	7,500
Utility Plant in Service	342,364
Equipment	123,161
Construction in Progress	77,491
Accumulated Depreciation	(286,935)
TOTAL NON-CURRENT ASSETS	<u>565,487</u>
TOTAL ASSETS	<u>758,945</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	11,900
Due to other Funds	122,944
Security Deposits	4,079
Deferred Revenue	31,108
TOTAL CURRENT LIABILITIES	<u>170,031</u>
NET ASSETS:	
Invested in capital assets net of related debt	274,639
Restricted-debt service	7,287
Unrestricted	306,988
TOTAL NET ASSETS	<u>588,914</u>

The notes to financial statements are an integral part of these statements

# CHARTER TOWNSHIP OF IRONWOOD

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal year ended December 31, 2005

	Business-Type Activities
	Enterprise Funds
	Water and Sewer Fund
OPERATING REVENUES	
Charges for services (net)	\$321,668
Other operating revenue	1,732
Gain (loss) on investment in wastewater treatment facility	(47,785)
TOTAL OPERATING REVENUES	275,615
OPERATING EXPENSES	
Operating expenses	332,036
Depreciation	17,273
TOTAL OPERATING EXPENSES	349,309
OPERATING INCOME (LOSS)	(73,694)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	3,856
TOTAL NON-OPERATING REVENUES (EXPENSES)	3,856
INCOME (LOSS) BEFORE TRANSFERS	(69,838)
CHANGE IN NET ASSETS	(69,838)
Net assets, beginning of year	658,752
NET ASSETS, END OF YEAR	\$588,914

The notes to financial statements are an integral part of these statements

CHARTER TOWNSHIP OF IRONWOOD  
 PROPRIETARY FUNDS  
 COMBINED STATEMENT OF CASH FLOWS  
 For the fiscal year ended December 31, 2005

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from charged for services	\$215,342
Other operating revenues	
Cash payments to employees for services	(70,249)
Cash payments to suppliers for goods and services	(235,370)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(90,277)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash payments for capital assets	(3,215)
Reimbursement for construction in progress	21,640
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	18,425
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	3,855
Investment in sewer authority	47,786
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	51,641
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,211)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	61,879
CASH AND CASH EQUIVALENTS, END OF YEAR	\$41,668
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(73,694)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	17,273
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(87,842)
(Increase) decrease in due from funds	27,569
Increase (decrease) in accounts payable	(17,392)
Increase (decrease) in due to other funds	71,251
Increase (decrease) in deferred revenue	(27,442)
NET ADJUSTMENTS	(16,583)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(90,277)

The notes to financial statements are an integral part of these statements

CHARTER TOWNSHIP OF IRONWOOD  
FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
December 31, 2005

		Agency Funds
ASSETS		
Cash and Cash Equivalents		\$104,069
Due from Other Funds		85
Due from Others		40,082
	TOTAL ASSETS	<u>\$144,236</u>
LIABILITIES		
Due to other funds		143,283
Due to others		953
	TOTAL LIABILITIES	<u>\$144,236</u>

The notes to financial statements are an integral part of these statements

CHARTER TOWNSHIP OF IRONWOOD  
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

-----

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

(A) Reporting Entity

Since November of 1978, the Township of Ironwood has operated as a charter township under P.A. 359 of 1947 as amended. The governing board is composed of seven elected members, which include the supervisor, treasurer, and clerk. The Charter Township provides its residents services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning and general administrative services. The accompanying financial statements present the government and its component units for which the government is considered to be financially accountable.

(B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of



particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable-Property Taxes

The Charter Township of Ironwood's property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31st .

Although the Local Governmental Unit 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Local Governmental Units policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made

"available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of the Local Governmental Unit totaled \$57,651,031 on which ad valorem taxes levied consisted of 4.31630 mills for the Local Governmental Unit operating purposes. The amounts are recognized in the General Fund.

The government reports the following major Governmental Fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges

to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

(D) Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are recorded as expenditures when consumed rather than when purchased.

Restricted Assets-The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	25 years
Water and Sewer Lines	50 to 75 years
Vehicles	8 years
Office Equipment	5 years
Computer Equipment	5 years

Compensated Absences-The Charter Township has only three employees that can accumulate sick leave. The Charter Township liability for unused sick leave is \$2,056 and is recorded in the government-wide financial statements.

Following is a summary of employment policies related to accumulated absences.

Sick Leave

Full time employees shall earn one paid sick day per month beginning at the start of each year. Sick days may not be accumulated beyond 120 days. Nonunion employees will receive payment for half of sick days accumulated upon retirement, but not to exceed 24 days. Union employees shall receive half of sick time accumulated.

Compensatory Time

Employees may accumulate compensatory time at a rate of time-and-one-half. There will be a maximum of 120 hours compensatory time accumulated each year. All compensatory time must be taken (used) within 120 days. There will be no carryovers.

Vacation Leave

Vacation leave is earned in varying amounts depending upon years of service. All vacation leave must be used within the calendar year.

Fund Equity-In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgeting Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end.

The Supervisor, with the help of the various department heads, prepares the proposed budget for presentation to the Township Board during August and September for the calendar year beginning on January 1. Budget hearings are scheduled in September to obtain taxpayer comments. The Budget is adopted by the Township Board prior to January 1.

The general fund revenues and expenditures are accounted for in accordance with the adopted budget.

Formal budgets are not required for the operations of the propriety fund types but revenues and expenditures are related to budgetary estimates on an informal basis to achieve objectives.

Excess of Expenditures Over Appropriation in Budgeted Funds

In the body of the financial statements, the Charter Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Charter Township of these budgetary funds were adopted to the activity level.

The Charter Township has not complied with all the provisions of P.A. 621 of 1978.

The Act provides that the budget must be amended whenever actual revenues are less than budgeted amounts or expenditures exceed budgeted amounts at the level of the adopted budget. Budget variances of this nature which are material are shown on the following pages.

General Fund . . . . . Page 35

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Charter Township of Ironwood to deposit and invest in the accounts of Federally insured banks, Credit unions and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States banks, commercial paper rated within the two

highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or it's political subdivisions which are rated as investment grade and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan

The Charter Township of Ironwood has designated three banks for the deposit of funds and allows for investments in any other legal banking institution. The township's investments are in accordance with statutory authority.

The Governmental Accounting Standards Board statement No. 3 risk disclosures for the Township's cash deposits are as follows:

	Carrying Amount	Bank Balance	Fund
Insured FDIC	\$300,000	300,000	All Funds
Uninsured			
Collateralized			All Funds
Uncollateralized	<u>123,503</u>	<u>123,951</u>	All Funds
	\$423,503	\$423,951	

#### NOTE 4-RECEIVABLES

Accounts receivable and related allowances for uncollectibles are as follows:

	Receivable	Allowance	Net
General Fund	\$ 29,019	\$ 0	\$ 29,019
	=====	=====	=====
Water & Sewer Fund	\$114,325	\$ 0	\$114,325
	=====	=====	=====
Perpetual Care Fund	\$ 220	\$ 0	\$ 220
	=====	=====	=====

Special assessments and related allowances for uncollectibles are as follows:

	Receivable	Allowance	Net
General Fund			
Street Lights	\$ 1,424	\$ 0	\$ 1,424
Garbage	<u>58,682</u>	<u>0</u>	<u>58,682</u>
	\$60,106	\$ 0	\$60,106
	=====	=====	=====

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet

NOTES TO FINANCIAL STATEMENTS (Continued)

earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	\$232,301	\$39,471
Special Assessments		25,017
Grant Amount Prior to Meeting Requirements		5,000
Total	<u>\$232,301</u>	<u>\$ 69,488</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$225,953			\$ 225,953
Construction in Progress				
Subtotal	<u>225,953</u>			<u>225,953</u>
Capital Assets Being Depreciated				
Buildings	181,910			181,910
Improvements Other Than Buildings	33,713			33,713
Machinery & Equipment	345,379			345,379
Infrastructure				
Subtotal	<u>561,002</u>			<u>561,002</u>
Less Accumulated Depreciation for				
Buildings	(75,485)	(7,276)		(82,761)
Improvements Other Than Buildings	(25,285)	(1,686)		(26,971)
Machinery & Equipment	(160,131)	(13,587)		(173,718)
Infrastructure				
Subtotal	<u>(260,901)</u>	<u>(22,549)</u>		<u>( 283,450)</u>
Net Capital Assets Being Depreciated	<u>300,101</u>	<u>(22,549)</u>		<u>277,552</u>
 Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$526,054</u>	<u>(22,549)</u>		<u>\$503,505</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 11,058			\$ 11,058
Construction in Progress	99,131		21,640	77,491
Subtotal	<u>110,189</u>		<u>21,640</u>	<u>88,549</u>
Capital Assets Being Depreciated				
Buildings	7,500			7,500
Improvements Other Than Buildings				
Machinery & Equipment	119,945	3,215		123,160
Infrastructure	342,364			342,364
Subtotal	<u>469,809</u>	<u>3,215</u>		<u>473,024</u>

Less Accumulated Depreciation for

NOTES TO FINANCIAL STATEMENTS (Continued)

Buildings			
Improvements Other Than Buildings			
Machinery & Equipment	(95,877)	(7,958)	(103,835)
Infrastructure	(173,785)	(9,315)	(183,100)
Subtotal	(269,662)	(17,273)	(286,935)
Net Capital Assets Being Depreciated	200,147	(17,273)	186,089
Governmental Activities Capital Total			
Capital Assets-Net of Depreciation	\$310,336	(14,058)	(21,640)
			\$274,638

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	17,193
Public Safety	3,670
Public Works	
Economic Development	
Recreation and Culture	1,686
Total Governmental Activities	\$22,549
Business-Type Activities	
Water	8,757
Sewer	8,516
Total Business-Type Activities	17,273

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund</u> <u>Receivable</u>	<u>Fund</u>	<u>Interfund</u> <u>Payable</u>
General Fund	\$228,677	Current Tax Collection	
Trust and Agency	85	Fund	\$139,161
		Trust & Agency Fund	4,122
		Water & Sewer Fund	122,944
		General Fund	915
Utility Fund	37,465		
Perpetual Care Fund	915		
	<u>\$267,142</u>		<u>\$267,142</u>

NOTE 7 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Charter Township's utility fund is the Water and Sewer Fund, which provides water and sewage services to some residents of the Charter Township.

The requirements for disclosures of operating revenues, depreciation expense, operating income or loss, operating



grants and interfund transfers, tax revenues and net income or loss are met in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance/Retained Earnings - All Proprietary Fund Types and Similar Trust Funds. In addition, the requirement to disclose cash flows is met by the Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds. Requirements for total assets, total long-term debt outstanding, and total equity are met in the Combined Balance Sheet - All Fund Types.

Additional information required is as follows:

Current capital contributions	None
	=====
Current Transfers	None
	=====
Fixed Assets	
Additions	\$3,215
	=====
Deletions	None
	=====
Construction in Process	
Additions	None
	=====
Deletions	\$21,640
	=====
Investment in Sewer Authority	\$290,848
	=====

#### NOTE 8- RISK MANAGEMENT

The Charter Township of Ironwood is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, (workers compensation) as well as medical benefits provided to employees. All risks of losses are covered by commercial insurance coverage. There was no reduction in coverage from prior years and there were no settlements of claims which exceeded insurance coverage in any of the past three calendar years.

#### NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

The Charter Township of Ironwood has no deferred compensation plan.

The Charter Township of Ironwood's postemployee benefit other than pensions consist of health insurance payments for former employees who are at least 62 years old and not yet 65 years

old and have been employed by the township for at least 10 years. The township's obligation for postemployment health care benefits are expensed as they become due.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Charter Township provides pension benefits for all of its elected officials and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All elected officials and full-time employees over 18 years but less than 76 years of age are eligible to participate. Elected officials are eligible immediately and other employees are eligible after completing six months of service.

The plan requires a contribution of 10% of expected annual compensation. The Charter Township pays 100% of the contributions. Contributions are vested immediately.

The Charter Township covered payroll for the year ended December 31, 2005 was \$191,950. Contributions required to be made to the plan during the year totaled \$19,195 or 10% of covered payroll. Total payroll for the Charter Township for the year was \$199,266.

NOTE 11 - INVESTMENT IN GOGEBIC-IRON WASTEWATER AUTHORITY

The Charter Township of Ironwood and two other municipalities have formed a sewer authority to construct and operate a sewage collections and treatment facility. Each municipality is an owner in common of an undivided interest in the facility. After retirement of revenue bonds (in the year 2025) title to the collection system in each unit will pass to that unit. The Charter Township of Ironwood accounts for its investment using the equity method.

The Gogebic-Iron Wastewater Authority (The Authority) was incorporated on November 22, 1983, to acquire, own, improve, enlarge, extend, and operate a sewage disposal system in accordance with Act 233, Public Acts of Michigan, 1988, as amended. The Authority owns the physical properties, is responsible for the related indebtedness and is responsible for raising monies from the participating units to cover operations on the system. The system is operated by the Gogebic-Iron Wastewater Board (the Board), an independent joint board comprised of members from each constituent municipality participating in the sewage disposal systems. The Board's source of revenues is a management fee received from the Authority. The Board pays the operating costs.

The incorporating municipalities creating the Authority are City of Ironwood, Township of Erwin, and Charter Township of Ironwood. The Gogebic-Iron Wastewater Board consists of the

members of the Authority and City of Hurley, Wisconsin.

Each municipality is an owner in common of an undivided interest in the facilities. This interest will be determined by each unit's capacity share in the facility, which will be determined as the facilities are used.

The governing Boards of the Authority and the Board are made up of one member of each municipalities' governing board. Each municipality chooses its own member. Control of the participating municipalities is limited to the input of its board member.

Below is a summary of the financial statements of the Authority and Board as of June 30, 2005.

	Authority	Board
Total Assets	\$17,047,063	\$ 119,592
	=====	=====
Total Liabilities	\$ 4,627,099	\$ 119,592
	=====	=====
Total Net Assets	12,419,964	\$ 0
	=====	=====
Total Revenues	\$ 1,245,696	\$ 714,825
	=====	=====
Total Expenditures	\$ 1,759,515	\$ 714,825
	=====	=====
Decrease in Net Assets	\$ 513,819	\$ 0
	=====	=====

The Charter Township of Ironwood's share of the assets, liabilities and changes in retained earnings cannot be determined at this time.

	Authority	Board
Total Current Debt	\$ 149,800	
	=====	=====
Total Long-term Debt	\$4,593,800	\$ 77,382
	=====	=====

This debt is to be repaid by charges to the participating municipalities based on usage of the system.

NOTE 12 - CONSTRUCTION IN PROGRESS

The Charter Township of Ironwood is involved in two construction projects at this time. These projects are detailed as follows:

Powderhorn Area

The Township has formed an authority with Bessemer Township known as the Powderhorn Area Utility District (PAUD). The Authority was formed to address the pollution problems in the Powderhorn area. The project was bid in the fall of 2004. The project completion is expected in October of this year. At present the project is 65% complete.

Township Water System

This project is part of Phase III of the Gogebic Range Water Authority and is continuing with it's goal to provide the township with its own water system. To date, the Jackson/Luxmore Road line has been installed. Design work has not been completed but work on the project continues. Grant funding has been requested through the USDA to reduce the cost to the residents.

REQUIRED SUPPLEMENTAL  
FINANCIAL INFORMATION

CHARTER TOWNSHIP OF IRONWOOD  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
Year ended December 31, 2005

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Taxes	\$267,900	\$277,622	\$9,722
Licenses and permits	6,500	7,678	1,178
State grants	187,000	182,002	(4,998)
Charges for services	159,396	166,590	7,194
Interest and rentals	6,100	8,017	1,917
Other	30,100	47,962	17,862
TOTAL REVENUES	656,996	689,871	32,875
EXPENDITURES			
Legislative	90,878	70,053	20,825
General government	342,294	299,938	42,356
Public safety	45,298	41,451	3,847
Public works	30,500	51,528	(21,028)
Health and welfare	158,296	160,626	(2,330)
Culture and recreation	16,490	15,164	1,326
Capital outlay			
Debt service			
Contingency			
TOTAL EXPENDITURES	683,756	638,760	44,996
EXCESS OF REVENUES (EXPENDITURES)	(26,760)	51,111	77,871
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Transfers to other funds			
Retirement of debt			
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(26,760)	51,111	77,871
FUND BALANCE JANUARY 1, 2005	\$361,074	\$361,074	
FUND BALANCE DECEMBER 31, 2005	\$334,314	\$412,185	(\$77,871)
	=====	=====	=====

The notes to financial statements are an integral part of these statements.

CHARTER TOWNSHIP OF IRONWOOD  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
December 31, 2005

	Special Revenue Funds			
	Township Improvement Fund	Special Grants Fund	Perpetual Care Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$9,218	\$66,392	\$4,144	\$79,754
Investments				
Taxes Receivable			220	220
Accounts Receivable				
Due from State of Michigan				
Due from Other Funds			915	915
TOTAL ASSETS	9,218	66,392	5,279	80,889
<u>Liabilities and Fund Equity</u>				
LIABILITIES				
Accounts payable				
Accrued Liabilities				
Due to State				
Advances from State				
Deferred Revenue		5,000		5,000
TOTAL LIABILITIES		5,000		5,000
FUND BALANCE				
Reserved				
Unreserved				
Designated			5,279	5,279
Undesignated	9,218	61,392		70,610
TOTAL FUND EQUITY	9,218	61,392	5,279	75,889
TOTAL LIABILITIES AND EQUITY	\$9,218	\$66,392	\$5,279	\$80,889

The notes to Financial Statements are an integral part of this report

O T H E R  
S U P P L E M E N T A L  
I N F O R M A T I O N



CHARTER TOWNSHIP OF IRONWOOD

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
Year ended December 31, 2005

	Special Revenue Funds			
	Township Improvement Fund	Special Grants Fund	Perpetual Care Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes and Penalties				
Charges for services			285	285
Interest and Rentals	248	1,304	111	1,663
Other Revenue				
TOTAL REVENUES	248	1,304	396	1,948
EXPENDITURES				
Current				
Judicial				
General Government				
Public Safety				
Recreational and Cultural				
Other				
Debt service				
Capital Outlay				
TOTAL EXPENDITURES				
EXCESS OF REVENUE (EXPENDITURES)	248	1,304	396	1,948
OTHER FINANCING SOURCES (USES)				
Operating Transfers In				
Operating Transfers (Out)				
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER USES	248	1,304	396	1,948
Fund Balance-January 1,2005	8,970	60,088	4,883	73,941
Fund Balance-December 31, 2005	\$9,218	\$61,392	\$5,279	\$75,889

The notes to the Financial Statement are an integral part of this report

CHARTER TOWNSHIP OF IRONWOOD  
MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND  
DETAIL OF REVENUES - BUDGET AND ACTUAL  
For the year ended December 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
<b>TAXES</b>			
Current property taxes		\$240,375	
Penalties and interest on taxes		890	
Payment in lieu of taxes		16,194	
Administration fees		20,163	
<b>TOTAL TAXES</b>	<b>\$267,900</b>	<b>277,622</b>	<b>\$9,722</b>
<b>LICENSES AND PERMITS</b>	<b>6,500</b>	<b>7,678</b>	<b>1,178</b>
<b>STATE GRANTS</b>			
State shared revenue		172,166	
Other state		9,836	
<b>TOTAL STATE GRANTS</b>	<b>187,000</b>	<b>182,002</b>	<b>(4,998)</b>
<b>CHARGES FOR SERVICES</b>			
School tax collection fees			
Grave openings		4,960	
Garbage collection fees		161,630	
Other			
<b>TOTAL CHARGES FOR SERVICES</b>	<b>159,396</b>	<b>166,590</b>	<b>7,194</b>
<b>INTEREST AND RENTALS</b>			
Interest income		6,259	
Rentals		1,758	
<b>TOTAL INTEREST AND RENTALS</b>	<b>6,100</b>	<b>8,017</b>	<b>1,917</b>
<b>OTHER</b>			
Street light assessment		2,957	
Cemetery lot sales		2,187	
Miscellaneous		9,256	
Stumpage		33,562	
<b>TOTAL OTHER</b>	<b>30,100</b>	<b>47,962</b>	<b>17,862</b>
<b>TOTAL REVENUES</b>	<b>656,996</b>	<b>689,871</b>	<b>32,875</b>

CHARTER TOWNSHIP OF IRONWOOD  
MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND  
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL  
For the year ended December 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
<b>LEGISLATIVE</b>			
Township Board			
Salaries		\$12,686	
Wages		3,000	
Social security		1,190	
Hospitalization		28,589	
Life insurance		415	
Retirement		2,530	
Office supplies		4,638	
Contracted services		6,809	
Communications		1,813	
Transportation			
Printing and publishing		1,041	
Miscellaneous		2,685	
Dues and education		1,182	
Contributions		3,475	
Equipment			
<b>TOTAL LEGISLATIVE</b>	<b>\$90,878</b>	<b>\$70,053</b>	<b>\$20,825</b>
<b>GENERAL GOVERNMENT</b>			
Supervisor			
Salary		29,341	
Wages		4,000	
Social security		2,551	
Hospitalization		17,002	
Life insurance		62	
Retirement		2,829	
Office supplies		305	
Travel			
Dues and education			
<b>Total Supervisor</b>	<b>60,061</b>	<b>56,090</b>	<b>3,971</b>
<b>TOTALS FORWARDED</b>	<b>150,939</b>	<b>126,143</b>	<b>24,796</b>

MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND  
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS BROUGHT FORWARD	\$150,939	\$126,143	\$24,796
Elections			
Contracts		536	
Office supplies		610	
Miscellaneous			
Total Elections	1,400	1,146	254
Assessor			
Salary			
Social security			
Hospitalization			
Life insurance			
Retirement			
Office supplies		280	
Contracted services		12,837	
Miscellaneous			
Dues and education		25	
Transportation			
Total Assessor	12,800	13,142	(342)
Attorney			
Contracted services		1,617	
Total Attorney	4,000	1,617	2,383
TOTALS FORWARDED	169,139	142,048	27,091

MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND  
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS BROUGHT FORWARD	\$169,139	\$142,048	\$27,091
Clerk			
Salary		29,426	
Clerical and Deputy salary		2,000	
Social security		2,404	
Hospitalization		17,718	
Life insurance		25	
Retirement		2,809	
Office supplies		373	
Transportation			
Miscellaneous		995	
Education and dues			
Total Clerk	62,053	55,750	6,303
Board of Review			
Wages		608	
Social security		46	
Miscellaneous		122	
Total Board of Review	1,077	776	301
Treasurer			
Salary		29,427	
Deputy Salary		7,000	
Social security		2,787	
Hospitalization		1,316	
Life insurance		14	
Retirement		4,255	
Office supplies		339	
Contracted services		329	
Transportation			
Bonds and insurance			
Miscellaneous			
Education			
Total Treasurer	56,963	45,467	11,496
TOTALS FORWARDED	289,232	244,041	45,191

MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND  
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS BROUGHT FORWARD	\$289,232	\$244,041	\$45,191
Township Hall			
Salaries		12,822	
Wages		14,327	
Social security		2,103	
Hospitalization		20,373	
Life insurance		54	
Retirement		2,909	
Supplies		5,650	
Insurance		45,272	
Public utilities		15,793	
Repairs and maintenance		3,557	
Miscellaneous		1,149	
Total Township Hall	142,140	124,009	18,131
Cemetery			
Wages		400	
Social security		31	
Operating supplies			
Contracted services		1,039	
Public utilities		144	
Repairs and maintenance		196	
Miscellaneous		131	
Total Cemetery	1,800	1,941	(141)
TOTAL GENERAL GOVERNMENT	342,294	299,938	42,356
PUBLIC SAFETY			
Police			
Contracted services			
Total Police			
TOTALS FORWARDED	433,172	369,991	63,181

MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND  
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS BROUGHT FORWARD	\$433,172	\$369,991	\$63,181
Fire Department			
Wages		12,121	
Social security		927	
Life insurance		1,440	
Supplies		2,980	
Communications		2,925	
Insurance and bonds		3,088	
Public utilities		1,073	
Repairs and maintenance		5,975	
Miscellaneous		274	
Education		20	
Total Fire Department	40,315	30,823	9,492
Building Inspector			
Contracted services		6,811	
Total Building Inspector	1,100	6,811	(5,711)
Zoning and Planning			
Wages		3,476	
Social security		249	
Miscellaneous		92	
Total Zoning and Planning	3,883	3,817	66
TOTAL PUBLIC SAFETY	45,298	41,451	3,847
TOTALS FORWARDED	478,470	411,442	67,028

MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND  
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS BROUGHT FORWARD	\$478,470	\$411,442	\$67,028
PUBLIC WORKS			
Street Lights			
Public utilities		6,742	
Repairs and maintenance		44,786	
TOTAL PUBLIC WORKS	30,500	51,528	(21,028)
HEALTH AND WELFARE			
Solid Waste			
Wages/salaries			
Social security			
Supplies		3,040	
Contracted services		157,586	
Miscellaneous			
TOTAL HEALTH AND WELFARE	158,296	160,626	(2,330)
CULTURE AND RECREATION			
Recreation			
Wages			
Social security			
Contracted services			
Supplies			
Utilities		165	
Repairs & Maintenance		1,699	
Total Recreation	3,190	1,864	1,326
TOTALS FORWARDED	670,456	625,460	44,996



MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND  
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS BROUGHT FORWARD	\$670,456	\$625,460	\$44,996
Library			
Contract		13,300	
Total Library	13,300	13,300	
TOTAL CULTURE AND RECREATION	16,490	15,164	1,326
CAPITAL OUTLAY			
Equipment			
Building Improvements			
Fire Equipment			
Solid Waste			
TOTAL CAPITAL OUTLAY			
TOTAL CONTINGENCIES			
TOTAL EXPENDITURES	683,756	638,760	44,996
TOTAL EXPENDITURES	\$683,756	\$638,760	\$44,996

COMBINING BALANCE SHEET - WATER AND SEWER FUNDS  
CHARTER TOWNSHIP OF IRONWOOD  
December 31, 2005

	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
<b>ASSETS</b>			
Cash on hand and in bank	\$34,381		\$34,381
Customer Accounts Receivable:	75,551	38,774	114,325
Other Receivables			
Due from Tax Fund	184	37,281	37,465
<b>TOTAL CURRENT ASSETS</b>	<b>110,116</b>	<b>76,055</b>	<b>186,171</b>
<b>UTILITY PLANT ASSETS</b>	<b>308,289</b>	<b>544,133</b>	<b>852,422</b>
Less Allowance for Depreciation	153,601	133,334	286,935
	154,688	410,799	565,487
<b>OTHER ASSETS</b>			
Assets held by GIWWAA	7,287		7,287
<b>TOTAL ASSETS</b>	<b>\$272,091</b>	<b>\$486,854</b>	<b>\$758,945</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$11,565	\$335	\$11,900
Interest Payable			
Due General Fund	61,472	61,472	122,944
Meter Deposits Payable	4,079		4,079
Bank Notes Payable			
Deferred Revenue		31,108	31,108
<b>TOTAL CURRENT LIABILITIES</b>	<b>77,116</b>	<b>92,915</b>	<b>170,031</b>
<b>FUND EQUITY</b>			
<b>FUND EQUITY</b>			
RETAINED EARNINGS (DEFICIT)	194,975	393,939	588,914
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$272,091</b>	<b>\$486,854</b>	<b>\$758,945</b>

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
WATER AND SEWER FUNDS  
CHARTER TOWNSHIP OF IRONWOOD  
Year Ended December 31, 2005

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges to Customers	\$207,514	\$114,154	\$321,668
Other		1,732	\$1,732
	207,514	115,886	323,400
Operating Expenses:			
Salaries and Wages	42,149	28,100	70,249
Supplies	638	1,488	2,126
Contracted Services	20,071	2,975	23,046
Electricity	3,742	2,494	6,236
Water Purchases	115,909		115,909
Sewage Treatment		84,368	84,368
Repairs and Maintenance	4,354	1,054	5,408
Other	1,065	1,065	2,130
Provision for Depreciation	8,757	8,516	17,273
Other Deduction-Debt Service	22,564		22,564
	219,249	130,060	349,309
OPERATING INCOME (LOSS)	(11,735)	(14,174)	(25,909)
Other Income:			
Interest Earned	2,571	1,285	3,856
Township portion of net income (Loss) of sewer authority		(47,785)	(47,785)
	(9,164)	(60,674)	(69,838)
NET INCOME (LOSS)	(9,164)	(60,674)	(69,838)
Retained Earnings beginning of the year	204,139	454,613	658,752
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	\$194,975	\$393,939	\$588,914

CHARTER TOWNSHIP OF IRONWOOD  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
December 31, 2005

	Trust & Agency Fund	Tax Collection Fund	Total
<hr/>			
ASSETS			
Cash and cash equivalents	\$4,990	\$99,079	\$104,069
Due from other funds	85		\$85
Due from others		40,082	\$40,082
	<hr/>		
TOTAL ASSETS	\$5,075	\$139,161	\$144,236
	<hr/>		
LIABILITIES			
Due to Other Funds	\$4,122	\$139,161	\$143,283
Due to others	953		953
	<hr/>		
TOTAL LIABILITIES AND EQUITY	\$5,075	\$139,161	\$144,236
	<hr/>		

## COMPLIANCE SUPPLEMENTS

Jon J. Tomasi  
Certified Public Accountant  
208 Birch Street  
Bergland, Michigan 49910

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS.

Supervisor and Members of the Board  
Charter Township of Ironwood  
Ironwood, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Ironwood, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Charter Township of Ironwood, Michigan's basic financial statements and have issued my report thereon dated June 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Charter Township of Ironwood's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Charter Township of Ironwood's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily

disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Ironwood's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Charter Township of Ironwood in a separate letter dated June 27, 2006.

This report is intended solely for the information and use of the Township Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*John J. Tomoni*

Certified Public Accountant  
Bergland, Michigan  
June 27, 2006

CHARTER TOWNSHIP OF IRONWOOD  
Schedule of Findings and Questioned Costs  
December 31, 2005

---

**Findings - Financial Statements Audit  
Reportable Conditions**

**1. Recording Receipts**

Monies were not promptly receipted and deposited into Township bank accounts.

Reason

To properly account for funds received, the Township needs to properly receipt, classify and promptly deposit monies received.

Current Status

The Township has implemented changes so that monies will be properly and promptly recorded and deposited.

**2. Property Tax Settlement with County**

Township treasurer did not balance property tax collection with records prior to settling with County Treasurer.

Reason

Prior to settlement with the County, Township treasurer should balance out tax collections with township records to verify that the property tax collections for that year are correct.

Current Status

Township will reconcile tax records prior to settlement with County. Also, other collection improvements have been implemented.